Supreme Court, U.S.
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No. 95-551

IN THE

Supreme Court of the United States

OCTOBER TERM, 1995

SEARS ROEBUCK & CO.,

Petitioner,

v.

U.S. PHILIPS CORPORATION,
NORTH AMERICAN PHILIPS CORPORATION and
N.V. PHILIPS GLOEILAMPENFABRIEKEN,

Respondents.

ON PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF OF RESPONDENTS IN OPPOSITION

GARRARD R. BEENEY
Counsel of Record
125 Broad Street
New York, New York 10004
(212) 558-4000

JAY L. POMERANTZ
MICHAEL E. JOHNSON
SULLIVAN & CROMWELL
Of Counsel

November 3, 1995

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COUNTERSTATEMENT OF QUESTION PRESENTED

Whether, contrary to time-honored and unanimous precedent, collateral estoppel may be applied under the law of the Seventh Circuit without a final judgment.

RULE 29.6 STATEMENT

The parents and subsidiaries of Respondents U.S. Philips Corporation, North American Philips Corporation and N.V. Philips Gloeilampenfabrieken, other than those that are wholly owned, are listed below:

Famar Fueguina Sociedad Anónima
Electric Lamp Manufacturers (Australia) Pty. Limited
Medical Applications Pty. Limited
Telekabel-Fernsehnetz Region Baden Betriebsgesellschaft m.b.H.
Telekabel-Fernsehnetz Graz Betriebsgesellschaft m.b.H.
Telekabel-Fernsehnetz Klagenfurt Betriebsgesellschaft m.b.H.
Telekabel Wien Aktiengesellschaft
Telekabel-Fernsehnetz Wiener Neustadt/Neunkirchen Betriebsgesellschaft m.b.H.
Neutronics Electronic Industries Holding Gesellschaft m.b.H.
Payer-Lux Verwaltungsges. m.b.H.
ACEC Lighting
Bedrijvencentrum Regio Brugge
Philips Coordination Center
Cable and Wire Assemblies
CWA-Immobiliën
European Development Center
Europese Maatschappij voor fabricage en verkoop van gloeilampenonderdelen "EMGO"
IBLIS FILMS
International Creative Digital Image
Philips Interactive Media Centre
Philips Matsushita Battery Corporation
Pastel

P.D.G. & Partners
Fonobras-Distribuidora Fonografica Brasileira Ltda.
Origin C&P Services Brasil Participaçoes Ltda.
Peterco do Nordeste Produtos Elétricos S.A.
Philips Automotive Lighting Hubei Co., Ltd.
Beijing Philips Audio/Video Corporation
Car Audio Electronics (China) Company Limited
Philips and Sanye Passive Components No. 1 Co., Ltd.
Philips Consumer Electronics Co. of Suzhou, Ltd.
Philips Domestic Appliances and Personal Care Company of Zhuhai SEZ, Ltd.
Feidong Lighting Company, Limited
Changshu Philips Ferrite Co., Ltd.
Hua Fei Colour Display Systems Company, Ltd.
Nanjing Huapu Electronics Company, Ltd.
Philips and Sky Medical Systems Nanjing Ltd.
Shenzhen Shen Fei Plastics and Metalware Company, Limited
Advanced Semiconductor Manufacturing Corporation of Shanghai
Philips & Yaming Lighting Co. Ltd.
Industria Andina de Iluminación S.A. "INADISA"
Bang & Olufsen A/S
Origin/C&P Denmark A/S
El Nasr Company for Electrical and Electronic Apparatus (NEEASAE)
PEC Musiikkitukku Oy
Valaisinpaja Oy
Apogée Communications S.A.
77, Centelec S.A.
Cinea S.A.
COGEDEP, Cie Générale Européenne de Distribution et d'Edition Phonographique S.A.
Le Consul S.A.
Experdata S.A.

INFOGRAMES
Société Industrielle Lenzi
Oui FM S.A.
La Radiotechnique
Ryan Jones S.A.R.L.
Société d'Etudes et Réalisations Nucléaires "Sodern"
Bankgeschäft Heinrich Behncke GmbH
CeQuadrat, Gesellschaft für Vertrieb von Soft- und Hardware G.m.b.H.
Euroventures Deutschland GmbH & Co. KG
Speziallampenfabrik Dr. Fischer GmbH
AFG Elektronik GmbH
Grundig Autoradio-Entwicklungs GmbH
Firmenverband zur Förderung der beruflicher Weiterbildung ffw GmbH
Grundig-Gildemeister Automation GmbH
Grundig Leasing GmbH
Grundig Multimedia Solutions (GMS) GmbH
GRUNDIG Aktiengesellschaft
GRUNDIG Elektrogeräte-GmbH
Grundig E.M.V. Elektro-Mechanische Versuchsanstalt Max
Grundig GmbH & Co. KG
Grundig TV-Communications GmbH
Viscom Industrielle Bildverarbeitung GmbH
IR3 Video International GmbH
Kegler Lichttechnik
MGH Marketing Gesellschaft für Handelsservice mbH
Philips Mietsystem GmbH
PDO Professional Digital Optical Media GmbH & Co. K.G.
PDO Professional Digital Optical Media Verwaltungs GmbH
PhonoNet Gesellschaft für Handelsdienstleistungen m.b.H.

Philips Kommunikations Industrie Aktiengesellschaft
PMA Prozess- und Maschinen-Automation GmbH
prompt ! Medizinische Informationssysteme GmbH
Norddeutsche Seekabelwerke AG
SMST SubMicron Semiconductor Technologies GmbH
Sounds Plus Club Marketing GmbH
TECSO Automation GmbH
Car Audio Electronics (Hong Kong) Limited
Electronic Devices Limited
Mobile One Limited
Valen Limited
Philips Monitors Manufacturing Hungary Free Trade Zone Limited Liability Company
PolyGram Music Publishing Company Hungary LLC
PolyGram Records Hungary LLC
Hungarian Speaker Systems Manufacturing and Trading Limited Liability Company
Hind Lamps Limited
Origin Technology in Business (India) Limited
Punjab Anand Lamp Industries Limited
Philips India Limited
PolyGram India Ltd.
Philips Telecommunication Industries Limited
P.T. Philips Development Corporation
P.T. Grundig International Indonesia
P.T. Intra Philindokon
P.T. Philips-Ralin Electronics
Radioelectric Iran Ltd. (Public Joint Stock Company)
Silicon & Software Systems Limited
Philips Automation S.p.A.
Chapulin Edizioni Musicali S.r.L.
C.P. Factor S.r.1.
Music Direct Italia S.p.A.
Villa Sistemi Medicali S.r.1.
Denshi Media Services Company Limited

K.K. Keystone
Marantz Japan, Inc.
Polydor K.K.
Sanken-Airpax Co., Ltd.
Philips Sensor Technology Corporation
Sirius Music Publishing K.K.
Nihon Tecnico K.K.
Your Records K.K.
Daishin and Philips Lighting Autolamps Co., Ltd.
Polygram Ltd.
Philips Precision Korea, Ltd.
Light Incorporated and Trading S.A.L.
Binafron Telecommunications Sdn. Berhad
Electronic Systems (Malaysia) Sdn. Bhd.
Malaysian Lamps Sendirian Berhad
Philips and JVC Video Malaysia Sdn. Bhd.
Semiconductor Miniature Products (M) Sdn. Bhd.
Zaw-Tech (Malaysia) Sdn. Bhd.
Origin C & P Mexicana, S.A. de C.V.
Compañía de Vidrio Industrial, S.A. de C.V.
Maroc Lumière Industrie
Manufacture Nationale pour la Réfrigération et
l'Electronique "MANAR"
Advanced Metal Forming B.V.
Advanced Metal Forming C.V.
ASM Lithography Holding N.V.
Berlo Service Group B.V.
BSO/Beheer B.V.
CDi Partner B.V.
ConNova Holland B.V.
Centre for Quantitive Methods CQM B.V.
Flat Panel Display Co. (FPD) B.V.
Icotel International B.V.
Interactive Entertainment Fund C.V.
Bank Mendes Gans N.V.

Meteor Classics B.V.
Micro Scope B.V.
Motown Entertainment Nederland B.V.
MPC Hilversum B.V.
Music Plus v.o.f.
Noble Europe B.V.
Origin/C&P Nederland v.o.f.
PDO Professional Digital Optical Media B.V.
PDO Professional Digital Optical Media C.V.
PolyGram N.V.
Pyton Communications Services B.V.
Record Service Benelux v.o.f.
SPaSE Holding B.V.
Telematica Transacties B.V.
TeleSelect Nederland B.V.
Teleworld Holding B.V.
United and Philips Communications B.V.
New Zealand Electric Lamp Manufacturers Limited
Fluorescent Lamp Partnership
Associated Electronic Products (Nigeria) Limited
PPC (Philips Projects Centre) Limited
Music Service Oslo A/S
TV Torget A/S
Philips Electrical Industries of Pakistan Limited
Polycosmic Records Incorporated
Philips Consumer Electronics Industries Poland Sp.z.o.o.
Grundig Polska Sp.z.o.o.
Philips Matsushita Battery Poland S.A.
Blaupunkt Auto Radio Portugal Lda.
CENDI - Produtos Multimédia, S.A.
Grundig Auto-Radio Portugal Lda.
NACIONALIS - Importao e Exportao, Lda.
Origin C P Portuguesa (Tecnologias de Informaçao), Lda.
Philips Sistemas Telecomunicacoes, Ltda.

Star Invest Limited
Philips Medical Systems Services Closed Joint Stock Company
PolyGram A.O.
Velt Open Joint Stock Company
Signal Telecom
Consolidated Lamp Manufacturers (Pty) Ltd.
Philips Electronics (South Africa) (Proprietary) Limited
Philips Electronics Holdings Limited
Compañia General Española de Electricidad
Sogepaq Distribuçion S.A.
Total Distribuçion S.A.
Electro Válvula S.A.
Arigram Record Service AB
Connova Produktkonsult AB
Kjell Gurfors Internkommunikation AB
Origin/C&P Sweden AB
Stockholm Records AB
Stockholm Songs AB
TVExtra AB
Virgin Sonet Försäljnings AB
Discorack-Nco AG
Elevite AG
Glühlampenfabrik GLORIA AG
Decca Records Taiwan Ltd.
Featron Technologies Corporation
PolyGram Music Publishing Ltd.
Taiwan Semiconductor Manufacturing Company Limited
Windmill Company Ltd.
Société Tunisienne d'Eclairage
Systel
Turk Philips Aydinlatma Sanayi ve Ticaret Anonim Sirketi
Birlesik Aydinlatma Sanayi ve Ticaret Anonim Sirketi

Turk Philips Ticaret Anonim Sirketi
Turk Philips Sanayi Anonim Sirketi "Philisan"
Adrawing Ltd.
Africa Fete Ltd.
Alto Music Ltd.
BITS Corporation Limited
CD-I Training Limited
Cedarwood Music Ltd.
Croxton Investments Limited
Debonaire Music Ltd.
DEF American Ltd.
Delphic Card Systems E.E.I.G.
Dominic Music Ltd.
Eros Music Systems Ltd.
F F R R Records Ltd.
Folklore Ltd.
Gee Street Music Ltd.
Gee Street Records Ltd.
Go ! Holdings Ltd.
Gooding Microwave Technology Ltd.
Gralto Music Ltd.
Grundig Satellite Communications Ltd.
Kempston [1987] Limited
Lavington Investments Limited
Philips Lighting Manufacturing Limited
Megahertz Communications Limited
Morrison Hotel Music Ltd.
Origin C&P Limited
Pageant Music Ltd.
Paragon Publicity & Public Relations Ltd.
Plazastreet Limited
Producer Services Holding Limited
Pyecam Company Limited
Really Useful Holdings Ltd.
Rolegram Ltd.

Spencer Davis Music Ltd.
Teletext Holdings Limited
Tiger Music Ltd.
Vision Videolabel Ltd.
Working Title TV Limited
Alliance/IT, L.L.C.
Standard Amateur Radio Products, Inc.
Cellularvision Technology & Telecommunications L.P.
Computer Access Technology Corporation
Def Jam Records, Inc.
Electronic Ballast Technology, Inc.
EBT, Inc.
Grundig Business Systems Inc.
Gramercy Pictures
Great Entertainment Merchandise, Inc.
Grundig Business Systems, Inc.
Interscope Communications, Inc.
London Music
London Publishing
London Records
Mepcopal
Metropolitan Entertainment Co., Inc.
Navigation Technologies Corporation
OptImage Interactive Services Company, L.P.
PolyGram/Philips Media Game, Inc.
Rush Associated Labels Recordings
Songs of London
Standard Communications Corp.
WCLP L.P.
Philips Consumer Products Yugoslavia, Trade Company with Limited Liability

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U.S. PHILIPS CORPORATION, NORTH AMERICAN PHILIPS CORPORATION and N.V. PHILIPS GLOEILAMPENFABRIEKEN,

Respondents.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF RESPONDENTS IN OPPOSITION

Respondents U.S. Philips Corporation, North American Philips Corporation (now known as Philips Electronics North America Corporation) and N.V. Philips Gloeilampenfabrieken (now known as Philips Electronics N.V.) (collectively "Philips") respectfully request that the petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit in this interlocutory appeal be denied.

STATEMENT OF THE CASE

Respondent disagrees with Petitioner's "Statement," to the extent material to disposition of the Petition, in the following particulars:

1. The question certified to and answered by the lower court in this interlocutory appeal was whether "under the law of the 7th Circuit, . . . Philips can be barred under collateral estoppel . . . where the final judgment of the [c]ourt was vacated predicated on a settlement." (Petitioner's Appendix ("Pet. App.") A, 11a.) The lower courts were not asked and did not decide the nebulous questions now posed by Petitioner such as "whether equitable or other considerations warrant" giving a vacated judgment preclusive effect (Petition ("Pet.") at i), or whether "it is appropriate and fair to impose an estoppel" in circumstances present here (Pet. at 11).

2. The trial of Philips' unfair competition claim against Petitioner, set to commence in the Northern District of Illinois on January 16, 1996, is not the "same" (Pet. at 3, 5), "similar" or "substantially identical" (Pet. at 4) to the claim asserted by Philips in Florida against Windmere Corporation ("Windmere") in 1984 in *U.S. Philips Corp. et al.* v. *Windmere Corp. et ano.*, No. 84-2508-Civ.-Marcus (S.D. Fla.) ("*Windmere*"). The claims against Petitioner not only involve different models of shavers marketed by a different defendant, but also rely on the very different unfair competition law of the Seventh Circuit compared with that applied in *Windmere*.[1] Furthermore, there is abundant

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[1] *Compare Vaughan Mfg. Co.* v. *Brikam Int'l, Inc.*, 814 F.2d 346, 349 (7th Cir. 1987) ("[f]unctionality is a defense") *with* the special interrogatory in *Windmere* asking whether Philips *had proven* functionality as an element of its case.

evidence below of Petitioner's intent to copy Philips' products that was ruled inadmissible in *Windmere*. For example, Petitioner's business records speak of its "key long range strategy" to market shavers "identifiable" with Philips "so that the consumer thinks or feels he is getting the popular brand under [Petitioner's] name." The case against Petitioner is decidedly *not* the "same" (Pet. at 5) as the case against Windmere, and it is *not* "the relitigation of rejected claims" (Pet. at 9). Philips has not yet had its day in court on its claim against Petitioner.

3. It is not accurate that the Federal Circuit "heard no argument in opposition" to vacating the judgment in *Windmere* (Pet. at 7); that the court vacated the judgment "without further inquiry because all the named parties were in favor of vacatur" (Pet. at 5); or that vacatur was "unopposed" (Pet. at 8). In fact, Petitioner's supplier and indemnitor, Izumi Seimitsu Kogyo Kabushiki Kaisha ("Izumi") moved to intervene in the Federal Circuit and presented various arguments against vacatur. Izumi, represented by the same counsel as Petitioner, previously told this Court in the appeal of the vacatur decision that the Federal Circuit had "addressed the merits of Izumi's opposition" to vacatur. (Respondents' Appendix, appended hereto ("App.") A, 1.) The fact that counsel now represents Petitioner rather than Izumi does not alter the fact, as previously represented, that vacatur was opposed, and that the Federal Circuit heard and considered Izumi's opposition.

The court in *Windmere* also required that Philips prove that the likelihood of confusion was caused by the nonfunctional aspects of Philips' design contrary to Seventh Circuit law. *See Schwinn Bicycle Co.* v. *Ross Bicycles, Inc.*, 870 F.2d 1176, 1183 n.14 (7th Cir. 1989).

4. Nothing supports Petitioner's characterization of the opinion below as "assuming that the vacatur of th[e] judgment [in *Windmere*] had been improper" in light of *U.S. Bancorp Mortgage Co.* v. *Bonner Mall Partnership*, __ U.S. __, 115 S. Ct. 386 (1994). (Pet. at 6.) In fact, the lower court specifically stated that "it is unnecessary to decide whether, as Philips suggests, there were indeed extraordinary circumstances that justified vacatur in this case" under *U.S. Bancorp*. (Pet. App. A, 11a.)

REASONS FOR DENYING THE WRIT

SUMMARY

The question presented by Petitioner goes far beyond the question certified to and answered by the court of appeals in this appeal under 28 U.S.C. § 1292(b). While Petitioner asks this Court to decide whether a vacated judgment should be given collateral effect because of "equitable or other considerations," or whether it is "appropriate and fair" to do so (Pet. at i, 11), the only issue certified below is whether under Seventh Circuit law a vacated judgment gives rise to collateral estoppel. Indeed, Petitioner's own phrasing of the issue it presents — "this Petition raises the question whether there is *any sound reason*" to apply collateral estoppel (Pet. at 3) (emphasis added) — demonstrates Petitioner's expansion of the issue below beyond all recognition. Certiorari should not be granted on an issue that goes far beyond the question addressed below.

The question that *was* presented below was properly answered. The authority is long-standing, abundant and unanimous that application of collateral estoppel requires a final judgment. Once the judgment in *Windmere* was vacated — meaning "[t]o annul; to set aside; to cancel or rescind," *Black's Law Dictionary* 1548 (6th ed. 1990) — it ceased to

exist, and there is neither support for nor sense to Petitioner's notion that a vacated judgment continues to have collateral estoppel effect.

Moreover, adopting Petitioner's suggestion would wreak havoc with the judicial system and the crucial policy of finality of judgments. *U.S. Bancorp* was decided twenty-three months *after* final judgment was entered in *Windmere*, and *U.S. Bancorp* should not be applied retroactively to a case concluded by entry of a final judgment. As this Court has ruled, applying a subsequent decision to a final judgment would "creat[e] elements of uncertainty and confusion and . . . undermin[e] the conclusive character of judgments." *Federated Dep't Stores, Inc.* v. *Moitie*, 452 U.S. 394, 398-99 (1981) (quoting *Reed* v. *Allen*, 286 U.S. 191, 201 (1932)).

Finally, while Petitioner admits that *U.S. Bancorp* allowed for the possibility of vacation of a judgment on settlement in "exceptional circumstances," Petitioner would deny application here of that portion of *U.S. Bancorp*. If, as Petitioner contends, *U.S. Bancorp* should be applied to *Windmere*, then Philips must be given the opportunity to show that vacation in *Windmere* was appropriate under *U.S. Bancorp*. Contrary to Petitioner's assumption, giving the vacated *Windmere* judgment collateral effect is *not* the necessary result of applying *U.S. Bancorp* to *Windmere*, and Petitioner has offered no suggestion of how the "exceptional circumstances" portion of the *U.S. Bancorp* decision could be applied to *Windmere*, which was finally decided three years ago.

I. PETITIONER'S QUESTION PRESENTED GOES FAR BEYOND THE ISSUE RAISED AND DECIDED BELOW

Certiorari will not be granted to review questions neither presented to nor decided by the court below. *Ellis* v. *Dixon*, 349 U.S. 458, 463-64 (1955); *United States* v. *Williams*, 504 U.S. 36, 41 (1992). The question raised by Petitioner — whether "equitable or other considerations" require that a vacated judgment be given preclusive effect (Pet. at i) — was neither presented to nor resolved by the lower courts.

The certified question in this interlocutory appeal asked only whether "under the law of the 7th Circuit, . . . Philips can be barred under collateral estoppel" by a judgment vacated pursuant to settlement (Pet. App. A, 11a), and both lower courts recognized that the issue was not as broad as Petitioner now contends (*see* Pet. App. B, 21a-22a; Pet. App. A, 11a-12a). Neither court addressed the "policy" considerations Petitioner invokes,[2] nor did the court of appeals discuss or cite the Ninth Circuit case, *Bates* v. *Union Oil Co.*, 944 F.2d 647 (9th Cir. 1991), *cert. denied*, 503 U.S. 1005 (1992), which Petitioner contends creates a conflict between the Federal and Ninth Circuits.

The Court of Appeals answered the certified question by deciding only that (i) under settled law *U.S. Bancorp* could not be applied retroactively to affect a final judgment entered two years before *U.S. Bancorp* was decided (Pet. App. A, 11a), and (ii) that a vacated judgment would not be given preclusive effect under Seventh Circuit law (Pet. App. A, 11a-12a).

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[2] *U.S. Bancorp* was decided after the district court's decision but before the decision of the court of appeals.

The sole question presented by Petitioner is far broader than the certified question answered below, and the grounds asserted in support of the Petition were not addressed by the court of appeals. It is perhaps for these reasons that the Petition neither quotes nor summarizes the question certified to the court below. Certiorari should not be granted in this interlocutory appeal to review a different question.

II. COURTS HAVE UNIFORMLY RULED THAT COLLATERAL ESTOPPEL REQUIRES A FINAL JUDGMENT AND THIS COURT HAS RULED THAT A VACATED JUDGMENT HAS NO PRECLUSIVE EFFECT

In arguing that a vacated judgment has collateral estoppel effect, Petitioner would not only rewrite the law of collateral estoppel, but would also disavow the contrary representation Petitioner made to this Court two years ago. In an amicus brief, Petitioner urged that the *Windmere* judgment should not have been vacated because vacation allows the parties "and others similarly situated [to] relitigate the issues decided against them," *i.e.*, that a vacated judgment would *not* have collateral estoppel effect (App. B, 4). Having failed in that appeal, Petitioner now reverses course seeking to achieve the same result — application of collateral estoppel — by making a contrary representation here.

There is no authority for Petitioner's latest position that the vacated judgment prevents "relitigat[ion]," and the court of appeals properly held in accord with uniform authority that a valid final judgment is a necessary element of collateral estoppel. *See* 1B James W. Moore et al., *Moore's Federal Practice* ¶ 0.416[2] (2d ed. 1995) ("A judgment that has been vacated, reversed, or set aside on appeal is thereby deprived of all conclusive effect, both as res judicata and as collateral

estoppel.") (footnote omitted); *Restatement (Second) of Judgments* § 13 cmt. a (1982) (to have preclusive effect a judgment must be "a firm and stable one, the 'last word' of the rendering court — a 'final' judgment"); 18 Charles A. Wright et al., *Federal Practice and Procedure* § 4432 (1981) ("To qualify for preclusion, a judgment must be valid, final, and on the merits.").

This Court has repeatedly ruled that collateral estoppel — "an aspect of the doctrine of res judicata," Moore et al., *supra*, ¶ 0.441[4] — requires a final judgment. *Reed* v. *Proprietors of Locks & Canals*, 49 U.S. 274, 291 (1850) ("There was no judgment of the court upon the verdict, which alone could give it the force or effect of *res judicata*."); *Aurora City* v. *West*, 74 U.S. 82, 93 (1868) ("Unless a final judgment or decree is rendered in a suit the proceedings in the same are never regarded as a bar to a subsequent action."); *G&C Merriam Co.* v. *Saalfield & Ogilvie*, 241 U.S. 22, 28 (1916) ("[I]t is familiar law that only a final judgment is *res judicata* . . . ."); *Nevada* v. *United States*, 463 U.S. 110, 129-30 (1983) ("[W]hen a final judgment has been entered on the merits of a case, '[i]t is a finality as to the claim or demand in controversy . . . .'") (quoting *Cromwell* v. *County of Sac*, 94 U.S. 351, 352 (1877)).

Most significantly, in *United States* v. *Munsingwear, Inc.*, 340 U.S. 36, 40 (1950), this Court specifically recognized that vacation of a judgment "clears the path for future relitigation of the issues between the parties." Although the Court in *U.S. Bancorp* did not extend the *rationale* of *Munsingwear* — that judgments on appeals which become moot should be vacated — to cases which become moot due to settlement, the court in *U.S. Bancorp* took no issue with the *effect* of vacation of the judgment.

In fact, the result in *U.S. Bancorp* was based primarily on the fact that a vacated judgment loses any collateral effect. *U.S. Bancorp*, __ U.S. at __, 115 S. Ct. at 392. Thus, in purportedly seeking to give "practical significance" to *U.S. Bancorp* (Pet. at 7), Petitioner ignores the Court's basic rationale that gave rise to the result. If, as Petitioner contends, a judgment vacated pursuant to settlement continued to retain vitality, Philips respectfully suggests that the issue decided in *U.S. Bancorp* would not have arisen.[3]

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[3] Petitioner's suggestion that a vacated judgment be given continuing effect is not only contrary to unanimous precedent, but is also nonsensical. An order to "vacate" a judgment is to "annul . . . cancel or rescind" it. *Black's Law Dictionary* 1548 (6th ed. 1990). It is hard to understand Petitioner's argument that something which no longer exists should have continuing preclusive effect. Moreover, Petitioner is faced with making such an argument due to its own inaction. While Izumi sought to intervene in *Windmere* to oppose vacatur in 1992, Petitioner chose not to. Had Petitioner cared about whether the *Windmere* judgment was vacated, it could have presented its view to the court of appeals when the issue was presented. Instead, Petitioner has decided to attack the *Windmere* decision in this collateral proceeding only after *Windmere* finally was decided.

III. APPLYING *U.S. BANCORP* RETROACTIVELY TO ALTER THE RESULT OF *WINDMERE* WOULD DESTROY THE FINALITY OF JUDGMENTS

Philips does not dispute that *U.S. Bancorp* should be enforced "in *subsequent* litigation" (Pet. at 7 (emphasis added)); the issue Petitioner actually raises, however, is whether *U.S. Bancorp* should be applied in *prior* litigation subject to a final judgment. The distinction Petitioner seeks to draw — between reinstating the *Windmere* judgment and giving the vacated judgment collateral effect (Pet. at 8-9, n.10) — is both meaningless and futile. Once vacated, the judgment ceased to exist, and its effects can only be revived by revisiting the final outcome of *Windmere*.[4]

Well-settled law establishes that a final judgment cannot be revisited simply because of a subsequent change in the law. *Federated Dep't Stores, Inc.* v. *Moitie*, 452 U.S. 394, 398-99 (1981) (it would "creat[e] elements of uncertainty and

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[4] As Petitioner admits (albeit by cryptic reference), it recently filed an independent action under Fed. R. Civ. P. 60(b) seeking to reinstate the *Windmere* judgment so that the judgment can be used collaterally in the case at bar. *Kabushiki Kaisha Izumi Seiki Seisakusho et ano.* v. *Windmere Corp. et al.*, No. 95-1147- Civ.-Marcus (S.D. Fla.) (*see* Pet. at 8-9, n.10). Obviously, if Petitioner were successful in its 60(b) action, the issue Petitioner presses here would automatically become moot. Thus, should certiorari be granted the case may become moot at any stage because of Petitioner's recent suit. In its 60(b) case, Petitioner once again argues — contrary to its claim here — that a vacated judgment has no collateral estoppel effect.

confusion and . . . undermin[e] the conclusive character of judgments" if final judgments were affected by subsequent change in the law) (quoting *Reed* v. *Allen*, 286 U.S. 191, 201 (1932)); *Sunal* v. *Large*, 332 U.S. 174, 181-82 (1947) (same); *Harper* v. *Virginia Dep't of Taxation*, __ U.S. __, 113 S. Ct. 2510, 2517 (1993) (rule applied to parties before the Court "must be given full retroactive effect *in all cases still open*") (emphasis added).

The Court's concern over "uncertainty and confusion" if a final judgment were affected by a subsequent change in the law is starkly implicated by Petitioner's suggestion that the *Windmere* final judgment should be affected by *U.S. Bancorp*. There have been more than one hundred federal and state decisions in which judgments have been vacated or reversed upon settlement.[5] Were Petitioner to prevail, *each* of these vacated judgments would, in effect, be reinstated at least for purposes of collateral estoppel. The consequences, however unpredictable, would at least be disruptive to the hundreds of litigants who have ordered their affairs based on the sound and settled legal principle that a vacated judgment can have no collateral estoppel effect.

Moreover, disregarding hundreds of years of precedent and allowing a final judgment to be affected by a subsequent decision would give way to exceptions that could consume the rule. Petitioner offers no principled reason why only a judgment vacated due to settlement and not other vacated judgments should continue to have collateral effect. Worthy principles other than those cited in *U.S. Bancorp* would constitute further challenges to the finality of judgments rule. For these reasons, the vacated *Windmere* judgment should not be revived and given collateral estoppel effect.

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[5] Citations to some of these cases are set forth in Appendix C, appended hereto.

IV. NO DETERMINATION CAN BE MADE ON THIS RECORD THAT THE VACATUR IN *WINDMERE* CONFLICTS WITH *U.S. BANCORP*

The basic rationale of Petitioner is that the *Windmere* judgment should be given preclusive effect to give *U.S. Bancorp* "practical significance." (Pet. at 7.) To the contrary, on the record below no determination can be made that applying *U.S. Bancorp* to *Windmere* would have any such result.

U.S. Bancorp specifically recognized that judgments may be vacated on settlement in "exceptional circumstances." *U.S. Bancorp*, __ U.S. at __, 115 S. Ct. at 393 ("This is not to say that vacatur can never be granted when mootness is produced [by settlement]. . . . As we have described, the determination is an equitable one . . . ."). Thus, if, as Petitioner requests, *U.S. Bancorp* were applied retroactively to *Windmere*, the effect of doing so could only be ascertained after full hearings to determine whether *Windmere* fit within "exceptional circumstances."

Petitioner does not suggest how the exception recognized in *U.S. Bancorp* could be applied to the now final *Windmere* proceedings. Should hearings be held in the case at bar — thereby having the *Sears* district court in 1996 consider whether vacatur by the Federal Circuit in 1992 in *Windmere* was appropriate under *U.S. Bancorp* which was decided in 1994 — or should *Windmere*, ended by a final judgment in 1992, somehow be resurrected to hold hearings in that case? Petitioner provides no answer, and its inability to suggest any reasonable procedure to apply to *Windmere all* of *U.S. Bancorp*, including its exception, points out the

deficiencies in retroactive application of a new decision to cases finally adjudicated.[6]

V. THE DECISION BELOW DOES NOT CONFLICT WITH *BATES*

As shown above at pages 6-7, *supra*, the issue of whether there is a conflict between the decision below and Ninth Circuit law — the second reason urged by Petitioner to grant the writ — was never considered by the court below, and it would be inappropriate to grant certiorari in this case to review the purported conflict.

Moreover, there is no conflict. The decision below — that a judgment vacated pursuant to settlement has no preclusive effect — does not conflict with *Bates* v. *Union Oil Co.*, 944 F.2d 647 (9th Cir. 1991), *cert. denied*, 503 U.S. 1005 (1992). The court of appeals in *Bates* examined the effect of a judgment vacated *in violation* of Ninth Circuit

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[6] Philips would demonstrate that *Windmere* presented "exceptional circumstances" justifying vacatur on settlement by demonstrating, among other things, that: (1) Philips gave up its right to appeal based on clear Federal Circuit precedent strongly indicating that vacatur would be granted; (2) there were serious errors below (recognized by the district court itself) and a deficiency in proof making the judgments themselves suspect (indeed the prevailing party, Windmere, referred to the judgments as "uncertain"); (3) Petitioner's indemnitor, Izumi, although well aware of the terms of the Windmere-Philips settlement, did not seek to intervene to oppose vacatur until *after* Philips had given up its right to appeal; and (4) different law and facts govern the *Sears* case making the application of collateral estoppel erroneous in any event.

law. As the court in *Bates* specifically stated, when a judgment is lawfully vacated, "the judgment will lose any preclusive effect and the party who sought vacatur can safely forego an appeal." *Id.* at 650.

There is no dispute that when the *Windmere* judgment was vacated it was done in accordance with Federal Circuit law. *See Federal Data Corp.* v. *SMS Data Prods. Group, Inc.*, 819 F.2d 277, 280 (Fed. Cir. 1987); *Smith Int'l, Inc.* v. *Hughes Tool Co.*, 839 F.2d 663, 664 (Fed. Cir. 1988). Consequently the decision below and that in *Bates* are in full accord: judgments lawfully vacated pursuant to settlement have no preclusive effect. *Bates*, 944 F.2d at 650; Pet. App. A, 11a-13a.

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be denied.

Respectfully submitted,

Garrard R. Beeney
125 Broad Street
New York, New York 10004
(212) 558-4000

Counsel for Respondents

Jay L. Pomerantz
Michael E. Johnson
SULLIVAN & CROMWELL
Of Counsel

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